

## REQUEST FOR COUNCIL ACTION

AGENDA SECTION  
Rochester Public UtilitiesORIGINATING DEPT:  
Consent Agenda

ITEM NO.

D-27

ITEM DESCRIPTION:  
Consideration of Public Utility Board ActionPREPARED BY:  
Kathy Wilson

The Rochester Public Utility Board has approved the following on April 29, 2003 and requests the Common Council's favorable consideration:

- to approve a resolution to approve the Fire Hydrant Facilities Charge (FHFC) rate schedule effective June 10, 2003.
- to approve a resolution to approve revisions to the Interruptible Service (INTR) rate schedule effective May 6, 2003.
- to approve a resolution to approve a purchase order agreement with Pratt & Whitney Power Systems Inc. for an 18 month extended warranty for the Cascade Creek Pratt & Whitney TwinPac in the amount of \$250,000.00.

GENERAL MANAGER:



COUNCIL ACTION:

Motion by: \_\_\_\_\_

Second by: \_\_\_\_\_

to:

64

## FOR BOARD ACTION

Agenda Item # 6

Meeting Date:

4/29/03

**SUBJECT:** Fire Hydrant Facilities Charge Rate Tariff

**PREPARED BY:** Bryan Blom, Sr. Financial Analyst

ITEM DESCRIPTION:

At the March Board meeting, in response to a request to eliminate the tax supported community fire protection charge, the RPU Board recommended it be replaced by a Fire Hydrant Facilities Charge. On April 7<sup>th</sup>, the City Council agreed to the approach of the implementation of this charge of \$1.00 per customer per month for residential customers and \$2.00 per customer per month for commercial/industrial customers.

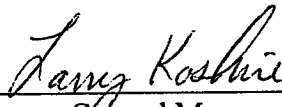
The revised rate tariff is attached.

Under this tariff annual revenues will be collected to recover the cost of providing infrastructure for fire flows. At current customer levels, revenues are estimated to be \$410,000. Based on previous cost-of-service studies, the payments received from the City were not fully recovering the cost of service of the hydrant facilities. The new rates should more closely recover cost of service.

UTILITY BOARD ACTION REQUESTED:

Approve and recommend to the City Council approval of the following rate schedule effective June 10, 2003.

Fire Hydrant Facilities Charge (FHFC)

  
General Manager

4/24/03  
Date

ROCHESTER PUBLIC UTILITIES

65

## FOR BOARD ACTION

Agenda Item # 7

Meeting Date:

4/29/03

**SUBJECT:** Revisions to Interruptible Service Rate Tariff

**PREPARED BY:** Bryan Blom, Sr. Financial Analyst

ITEM DESCRIPTION:

Changes are being proposed to the language of the interruptible tariff to clarify the billed demand calculation. The new language better explains how to calculate the billed demand when service interruptions are requested.

A proposed change is also being requested regarding the interruptible energy rate language. The existing language specifies the actual rate. The proposed language brings in the energy rate by reference to the standard Medium General Service, Large General Service, and Large Industrial Service rate tariffs.

UTILITY BOARD ACTION REQUESTED:

Approve and recommend to the City Council approval of the following rate schedule effective May 6, 2003.

Interruptible Service (INTR)

*Reviewed by  
Curt Kniff*

*Larry Kashner*  
General Manager

*4/24/03*  
Date

64

Page 1 of 2  
**FOR BOARD ACTION**

Agenda Item # 12

Meeting Date: 4/29/03

**SUBJECT:**

Cascade Creek Unit 2  
Pratt & Whitney TwinPac Extended Warranty.

**PREPARED BY:**

Wally Schlink, Manager of Power Production

ITEM DESCRIPTION: In May 2000 a contract was signed between the City of Rochester and Turbo Power & Marine Systems, Inc. for the purchase of a Pratt & Whitney Twin Pac combustion turbine generator. The unit was placed in commercial service and the warranty recognition period commenced on May 5, 2002. The contract specified a manufactures warranty period of 12 months.

As an option on the original contract, an extended warranty was offered that would cover the combustion turbine generator for a period of 18 months at a cost of \$250,000. The utility chose not to accept the extended warranty option at that time since we had no practical experience with this unit and felt that the 12 month warranty period was sufficient based on our limited knowledge.

The 12 month manufactures warranty expires on May 5, 2003. Staff contacted Pratt & Whitney and requested if the option to still purchase the extended warranty as a risk management tool. Pratt & Whitney was agreeable and their proposal is attached. The cost of the extended warranty remains at \$250,000 as it was offered in the original contract.

The exposure for the utility is primarily in the form of repair costs from a catastrophic failure of one of the major power or generation components of the combustion turbine generator. Staff has tried to identify the average cost of repair on a component by component basis;

Gas Generator	\$1,000,000
Power Turbine	\$ 750,000
Generator	\$ 500,000
Gas Generator Lease	\$ 50,000 per week
Power Turbine Lease	\$ 24,000 per week

The extended warranty has an additional benefit of covering all components supplied by Pratt & Whitney in addition to the major components which adds value to the warranty but would not justify the purchase on those terms alone.

Because of the significant dollars involved on the new generator, details of this decision are being brought to the Board. Staff's recommendation is informational in nature and believes this is a legitimate risk management tool. Depending on the direction provided by the Board, staff will proceed to institute this risk management product if such is the Board's desire.

  
General Manager

4/24/03  
Date

67-

**FOR BOARD ACTION**

Agenda Item # 12

Meeting Date:

4/29/03

UTILITY BOARD ACTION REQUESTED:

Staff requests direction from the Board on this risk management issue and if directed by the Board to purchase the 18 month extended warranty to approve a resolution requesting the Common Council to approve a purchase order agreement with Pratt & Whitney Power Systems Inc. to provide the 18 month extended warranty. The purchase order agreement will be for a total price of \$250,000

\_\_\_\_\_  
General Manager

\_\_\_\_\_  
Date

62